

BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)

WISCONSIN ENERGY CORPORATION;)
INTEGRYS, ENERGY GROUP, INC.;)
PEOPLES ENERGY, LLC; THE PEOPLES)
LIGHT AND COKE COMPANY; NORTH)
SHORE GAS COMPANY; ATC MANAGEMENT,)
INC.; and AMERICAN TRANSMISSION)
COMPANY, LLC,)

) No. 14-0496

Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a reorganization, to enter into agreements with affiliated interests pursuant to Section 7-101 and for such other approvals as may be required under the Public Utilities Act to effectuate the reorganization.

Chicago, Illinois
February 18, 2015

Met pursuant to notice at 9:30 a.m.

BEFORE:

GLENNON DOLAN, Administrative Law Judge.

1 APPEARANCES:

2 FOLEY & LARDNER, LLP, by
3 MR. THEODORE T. EIDUKAS and
4 JOHN LITCHFIELD
5 321 North Clark Street, Suite 2900
6 Chicago, Illinois 60654
7 Appearing on behalf of Wisconsin Energy
8 Company;

9 MS. MARY P. KLYASHEFF and
10 MR. GAVIN M. McCARTY
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12 Chicago, Illinois 60601
13 Appearing on behalf of Integrys Energy Group,
14 Inc., the Peoples Gas Light and Coke Company,
15 Peoples Energy;

16 ROONEY RIPPPIE & RATNASWAMY, by
17 MR. JOHN E. ROONEY
18 350 West Hubbard Street, Suite 600
19 Chicago, Illinois 60654
20 Appearing on behalf of Integrys Energy and
21 Peoples Energy, LLC;

22 MR. CHRISTOPHER W. ZIBART
W234 N2000 Ridgeview Parkway Court
Waukesha, Wisconsin 53188
Appearing on behalf of ATC Transmission
Company;

MR. MATTHEW L. HARVEY,
MR. JOHN C. FEELEY and
MS. JESSICA L. CARDONI
160 North LaSalle Street, Suite C-800
Chicago, Illinois 60602
Appearing on behalf of Staff;

MS. KAREN LUSSON, MR. RONALD JOLLY
MR. SAMEER DOSHI
100 West Randolph Street, 11th Floor
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Appearing on behalf of the People of the State
of Illinois;

1 APPEARANCES: (CONT'D)

2 LAW OFFICES OF GERARD T. FOX, by
3 MR. GERARD T. FOX
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6 Appearing on behalf of Retail Energy Supply
7 Association;

8 MR. CONRAD REDDICK
9 1015 Crest Street
10 Wheaton, Illinois 60189
11 -and-
12 ORIJIT K. GHOSHAL
13 30 North LaSalle Street, Suite 1400
14 Chicago, Illinois 60602
15 Appearing on behalf of the City of Chicago;

16 MS. CHRISTIE HICKS and
17 MS. JULIE SODERNA
18 309 West Washington Street, Suite 800
19 Chicago, Illinois 60606
20 Appearing on behalf of CUB;

21 ELFENBAUM EVERS & AMARILIO, P.C., by
22 MS. KAROLINA M. ZIELINSKA
940 West Adams Street, Suite 300
Chicago, Illinois 60607
Appearing on behalf of Utility Workers Union of
America.

21 SULLIVAN REPORTING COMPANY, by
22 Tracy L. Overocker, CSR

1	<u>I N D E X</u>					
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3	<u>Witnesses:</u>	<u>Direct</u>	<u>Cross</u>	<u>Re-</u> <u>direct</u>	<u>Re-</u> <u>cross</u>	<u>By</u> <u>Examiner</u>
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5	RESA Exhibit Nos.		
6	1.0R, 1.1, 1.2 and 2.0		78
7	JA Nos. 4.0 revised,		81
8	4.1, 9.0 revised,		81
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10	AG Cross 1.0	96	132
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13	JA Exhibits 1.0, 1.1,		144
14	1.2 and 1.3, 6.0,		144
15	6.1, 12.0, public and		144
16	confidential versions		
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18	and confidential versions		144
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20	CUB Cross No. 1	148	149
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1 JUDGE DOLAN: By the direction and authority of
2 the Illinois Commerce Commission, I call Docket
3 No. 14-0496, Wisconsin Energy Corporation; Integrys
4 Energy Group, Incorporated; Peoples Energy, LLC; the
5 Peoples Gas Light and Coke Company; North Shore Gas
6 Company, ATC Management, Incorporated and American
7 Transmission Company, LLC, an application pursuant to
8 Section 7-204 of the Public Utilities Act for
9 authority to engage in a reorganization to enter into
10 agreements with affiliated interests pursuant to
11 Section 7-101 and for such other approvals as may be
12 required under the Public Utilities Act to effectuate
13 the reorganization to order.

14 Would the parties please identify
15 themselves for the record.

16 MR. EIDUKAS: On behalf of Joint Applicant
17 Wisconsin Energy Company, Theodore T. Eidukas and
18 John Litchfield from Foley & Lardner, LLP, 321 North
19 Clark Street, Suite 2800, Chicago, Illinois 60654.

20 MS. KLYASHEFF: Appearing for Joint Applicants
21 North Shore Gas Company, Integrys Energy Group, Inc.,
22 the Peoples Gas Light and Coke Company and Peoples

1 Energy, LLC, Gavin McCarty and Mary Klyasheff,
2 200 East Randolph, Chicago, Illinois 60601.

3 MR. ZIBART: Good morning, your Honor.
4 Appearing on behalf of Joint Applicants American
5 Transmission Company, LLC and its corporate manager,
6 ATC Management, Inc., Christopher Zibart, American
7 Transmission Company, Waukesha, Wisconsin.

8 MR. HARVEY: On behalf of Staff of the Illinois
9 Commerce Commission, Matthew L. Harvey, Jessica L.
10 Cardoni and John C. Feeley, 160 North LaSalle Street,
11 Suite C-800, Chicago, Illinois 60601.

12 MR. DOSHI: On behalf of the People of the
13 State of Illinois, by and through the Attorney
14 General, Karen Lusson, L-u-s-s-o-n, Ronald Jolly,
15 J-o-l-l-y and Sameer Doshi, S-a-m-e-e-r D-o-s-h-i,
16 100 West Randolph Street, 11th Floor, Chicago,
17 Illinois 60601.

18 MR. FOX: Gerard T. Fox, 203 North LaSalle
19 Street, Suite 2100, Chicago, Illinois 60601,
20 appearing on behalf of the Retail Energy Supply
21 Association.

22 MR. REDDICK: Appearing for the City of

1 Chicago, Orijit Ghoshal, O-r-i-j-i-t G-h-o-s-h-a-l,
2 30 North LaSalle Street, Suite 1400, Chicago 60602
3 and Conrad R. Reddick, R-e-d-d-i-c-k, 1015 Crest
4 Street, Wheaton, Illinois 60189.

5 MS. HICKS: On behalf the Citizens Utility
6 Board, Christie Hicks and Julie Soderna, 309 West
7 Washington, Suite 800, Chicago, Illinois 60601.

8 MS. ZIELINSKA: Good morning. Karolina
9 Zielinska from law firm of Elfenbaum Evers &
10 Amarilio, 940 West Adams, Suite 300, Chicago,
11 Illinois 60607, here on behalf the Local 18007,
12 Utility Workers of America.

13 JUDGE DOLAN: All right. Let the record
14 reflect that there are no additional appearances.

15 All right. So if we went real quick,
16 we could just have the two pieces of testimony put
17 into the record and then we'll proceed from there.

18 MS. ZIELINSKA: Good morning, Judge, again,
19 Karolina Zielinska on behalf of Local 18007, on
20 behalf of the UWUA, Utility Workers of America, I'm
21 here, your Honor, just for the record to move in the
22 direct testimony of Richard Passarelli into evidence.

1 It is my understanding there are no objections and no
2 cross-examination of this witness.

3 JUDGE DOLAN: Okay. Any objections?

4 MR. EIDUKAS: None.

5 MR. HARVEY: None, your Honor.

6 JUDGE DOLAN: All right. Hearing none, the
7 testimony of -- what was his name again?

8 MS. LUSSON: Richard Passarelli.

9 JUDGE DOLAN: -- Richard Passarelli will be
10 entered into the record. It's just Exhibit 1.0?

11 MS. LUSSON: It was previously filed and it's
12 timed stamped UWUA Exhibit 1.0 admitted.

13 (Whereupon, UWUA
14 Exhibit No. 1.0 was
15 admitted into evidence.)

16 JUDGE DOLAN: Mr. Fox?

17 MR. FOX: Judge, as Mr. Eidukas indicated off
18 the record, there is no cross-examination for the
19 witness for RESA, Mr. Joseph Clark. So at this time,
20 I'd like to move for admission of the following
21 exhibits, RESA Exhibit 1.0R filed on e-Docket on
22 December 5, 2014, the revised direct testimony of

1 Joseph Clark, along with RESA Exhibits 1.1 and 1.2
2 referred to in that testimony which were filed on
3 e-Docket on November 20, 2014 and finally RESA
4 Exhibit 2.0, the affidavit of Mr. Clark, which was
5 filed on e-Docket today, February 18th, 2015.

6 JUDGE DOLAN: Any objections?

7 MR. EIDUKAS: No objection.

8 JUDGE DOLAN: Hearing none, RESA Exhibits 1.0R,
9 1.1, 1.2 and 2.0 will be admitted into the record.

10 MR. FOX: Thank you.

11 (Whereupon, RESA Exhibit
12 Nos. 1.0R, 1.1, 1.2 and 2.0
13 were admitted into evidence.)

14 JUDGE DOLAN: All right. So ready for the
15 first witness?

16 MS. KLYASHEFF: Joint Applicants call their
17 first witness James Schott.

18 JUDGE DOLAN: Good morning, Mr. Schott would
19 you please raise your right hand.

20 (Witness sworn.)

21 JUDGE DOLAN: Okay. Thank you.

22

1 JAMES SCHOTT,
2 called as a witness herein, having been first duly
3 sworn, was examined and testified as follows:
4 DIRECT EXAMINATION
5 BY
6 MS. KLYASHEFF:
7 Q Mr. Schott, please state your name and
8 business address for the record?
9 A My name is James F. Schott, 200 East
10 Randolph Street, Chicago, Illinois 60601.
11 Q You have before you a document entitled
12 revised direct testimony of James F. Schott marked
13 for identification as Joint Applicants' Exhibit 4.0
14 revised filed on e-Docket on August 28th, 2014 and
15 Joint Applicants' Exhibit 4.1, filed on e-Docket on
16 August 6th, 2014.
17 Do you have any changes or corrections
18 to these documents?
19 A No, I do not.
20 Q You also have before you a document
21 entitled revised rebuttal testimony of James F.
22 Schott, JA Exhibit 9.0 revised filed on e-Docket on

1 February 17th, 2015.

2 Do you have any changes or corrections
3 to that document?

4 A No, I do not.

5 Q And, finally, the surrebuttal testimony of
6 James F. Schott marked as JA Exhibit 18.0 filed on
7 e-Docket on February 5th, 2015, do you have any
8 changes or corrections to that document?

9 A No, I do not.

10 Q Today, if I were to ask you the questions
11 in those documents, would your answers be the same as
12 included in those documents?

13 A Yes.

14 Q Do you adopt these exhibits as your sworn
15 testimony that you wish to give in this proceeding?

16 A I do.

17 MS. KLYASHEFF: Subject to cross, I move for
18 the admission of Joint Applicants' Exhibits 4.0
19 revised and 4.1 and JA Exhibits 9.0 and 18.0?

20 JUDGE DOLAN: Any objections?

21 (No response.)

22 JUDGE DOLAN: Hearing none, Joint Applicants'

1 Exhibit 4.0 revised and Joint Applicants' Exhibit 4.1
2 along with Exhibit 9.0 --

3 It's showing revised. Is that --

4 MS. KLYASHEFF: I apologize, your Honor. It is
5 9.0 revised.

6 JUDGE DOLAN: Okay.

7 -- and then Joint Applicants'
8 Exhibit 9.1 and then Joint Applicants' Exhibit 18.0
9 will be admitted into the record.

10 (Whereupon, JA Exhibit
11 Nos. 4.0 revised, 4.1
12 JA Exhibits 9.0 revised, 9.1
13 and 18.0 were admitted
14 into evidence.)

15 MS. KLYASHEFF: The witness is available for
16 cross.

17 MR. DOSHI: Your Honor, the Attorney General's
18 Office has some cross-examination for Mr. Schott, if
19 that would be okay?

20 JUDGE DOLAN: Proceed, Counsel.

21 MR. DOSHI: Thank you, your Honor.

22

1 CROSS-EXAMINATION

2 BY

3 MR. DOSHI:

4 Q Good morning, Mr. Schott.

5 A Good morning.

6 Q My name is Sameer Goshi. I'm an attorney
7 with the AG's office and I have some questions for
8 you about your testimony, if you don't mind.

9 A No, thank you.

10 Q I'd like to start with a couple background
11 questions. Could you explain what your general
12 responsibilities at Integrys Energy Group are?

13 A I am the chief financial officer which
14 means I'm responsible for the accuracy of our
15 external financial statements and responsible for the
16 preparation of intern financial statements for
17 management.

18 Q Okay. Thank you.

19 And do you have responsibilities with
20 respect to Peoples Gas' Accelerated Main Replacement
21 Program or AMRP?

22 A No.

1 Q Okay. Thank you.

2 Can I refer you to your direct

3 testimony, which is Exhibit JA Exhibit 4.0 at Page 6

4 on Line 132?

5 A Okay.

6 Q There you state in the context of the

7 proposed reorganization, Peoples Gas and North Shore

8 will maintain strong local management teams after the

9 proposed merger or reorganization.

10 Do you see that?

11 A Yes.

12 Q Are you aware if there have been

13 discussions with management of Wisconsin Energy

14 Corporation regarding which senior managers at

15 Peoples Gas and/or North Shore may be retained after

16 the proposed merger?

17 A I am not aware of any.

18 Q Okay. Thank you.

19 Do you know who within Peoples Gas or

20 within what's currently called Integrys Energy Group

21 will be responsible for managing the AMRP following

22 the proposed merger?

1 A No, I do not.

2 Q Okay. Thank you.

3 Have you been informed by Wisconsin
4 Energy Corporation whether you will be retained
5 employment after the proposed merger?

6 A No, I have not.

7 Q Does that mean you do not know if you'll be
8 retained?

9 A That's correct.

10 Q All right. Thank you.

11 Did any members of the Due Diligence
12 Team from Wisconsin Energy Corporation discuss the
13 AMRP with you during their due diligence process?

14 A We would have discussed it in light of the
15 long-term financial plan and what costs may be
16 included in the long-term financial plan for the AMRP
17 Program. We also discussed the qualified
18 infrastructure rider mechanism and how that would
19 operate.

20 Q Thank you.

21 Did you inform them of the pending
22 audit or audits by PricewaterhouseCoopers and/or

1 Liberty Consulting Group of the AMRP?

2 A I don't recall, but since -- the Liberty
3 audit is a matter of public record, but I don't
4 recall having specific discusses about it, no.

5 Q Okay. Thank you.

6 Have you been offered by Wisconsin
7 Energy Corporation a separation package in the
8 possible event that you were to leave the combined
9 company after the potential merger?

10 A I have a change of control agreement with
11 my current employer.

12 Q Okay. Thank you.

13 Is it correct that after the
14 Administrative Law Judge invited parties to file
15 supplemental testimony regarding the Liberty
16 Consulting Group Interim Audit Report that you did
17 not file supplemental testimony on that topic?

18 A I don't know that I'm aware of the -- could
19 you repeat the question?

20 Q I guess I'll rephrase. Is it correct that
21 you did not file supplemental testimony on either
22 January 22nd or January 29th of this year regarding

1 the Liberty Consulting Group Interim Audit Report?

2 A I did not personally.

3 Q Thank you.

4 Do you know if anyone else from

5 Peoples Gas filed supplemental testimony on those

6 dates?

7 A I can't state with any certainty, no.

8 Q Okay. Thank you.

9 Did anyone within WEC or Integrys

10 Energy Group make a decision that Integrys or Peoples

11 Gas employees would not file supplemental testimony

12 on the topic?

13 MS. KLYASHEFF: Objection. I think the

14 decision-making process is likely attorney-client

15 privilege.

16 JUDGE DOLAN: I'll sustain that objection.

17 MR. DOSHI: Okay.

18 BY MR. DOSHI:

19 Q Would you agree that it would have been

20 useful for the Commission to hear from management of

21 Peoples Gas regarding the Liberty Consulting Group

22 interim audit recommendations?

1 MS. KLYASHEFF: Objection in terms of
2 speculation of what the Commission may find
3 interesting or useful.

4 JUDGE DOLAN: I'll sustain it.

5 Maybe just rephrase your question.

6 BY MR. DOSHI:

7 Q Would you agree that management of Peoples
8 Gas would have been better situated with knowledge
9 compared to management of WEC to comment on the
10 findings in Liberty Consulting Group's Interim Audit
11 Report?

12 MS. KLYASHEFF: Objection. Given your Honor's
13 ruling about the scope of the use of the Liberty
14 Interim Report, I think questions of that nature are
15 beyond that scope.

16 MR. DOSHI: Your Honor, I believe your January
17 14th ruling directs that testimony and
18 cross-examination regarding that Interim Report shall
19 be used to explore whether the Joint Applicants
20 which, includes Peoples Gas, are ready, willing and
21 able to implement the recommendations from the
22 Interim Report.

1 JUDGE DOLAN: And what was the question again?

2 BY MR. DOSHI:

3 Q My question was, would you agree that
4 management for Peoples Gas would be better situated
5 with knowledge of the AMRP to comment on the interim
6 report and supplemental testimony than was WEC
7 management?

8 JUDGE DOLAN: I'll overrule the objection.

9 If you can answer the question.

10 THE WITNESS: I'm sorry, can you -- obviously
11 management is aware of the Liberty audit, so what's
12 your -- so what's the question?

13 BY MR. DOSHI:

14 Q My question was, would you agree that
15 Peoples Gas management would be better situated with
16 the knowledge of the AMRP to comment on Liberty
17 Consulting Group's Interim Audit Report than would be
18 WEC management?

19 A Better situated, better situated how?

20 Q Would have better access to information to
21 comment on the report?

22 A Than WEC, you're making a comparison --

1 Q Yes.

2 A -- if I understand correctly?

3 I don't know. I wouldn't say that. I

4 wouldn't agree. I -- perhaps, but I don't know.

5 It's not an obvious question -- obvious answer.

6 Q Which group would have more information

7 about the current state of the AMRP? On the one hand

8 Peoples Gas management or on the other hand WEC

9 management?

10 A Peoples Gas management.

11 Q Okay. Thank you.

12 Have you reviewed the Liberty

13 Consulting Group's Interim Report?

14 A Yes.

15 Q Did you agree with the findings?

16 MS. KLYASHEFF: Objection. Whether or not

17 Mr. Schott agrees with the findings are not relevant

18 or within the scope of your January 14th ruling.

19 MR. DOSHI: Your Honor, your January 14th

20 ruling directed that cross-examination will explore

21 whether the Joint Applicants are ready, willing and

22 able to implement those recommendations, Integrys

1 Energy Group and Peoples Gas are of the Joint
2 Applicants and whether Mr. Schott agrees with the
3 recommendation would speak to the readiness and
4 willingness to implement it.

5 JUDGE DOLAN: Are you talking over all the
6 whole report recommendations or --

7 MR. DOSHI: That was my first question, do you
8 agree with the findings overall in the report? I
9 might -- I might then explore particular findings.

10 JUDGE DOLAN: Without getting into more
11 specifics he can answer the question.

12 MS. KLYASHEFF: The report was admitted for
13 confidential -- on a confidential basis. This
14 question does not seem to implicate that, but if
15 there are going to be follow ups about specific
16 items, I would note we need to conduct that in
17 camera.

18 JUDGE DOLAN: We're not on the Internet.

19 MS. KLYASHEFF: I do not know if every one in
20 the room is --

21 JUDGE DOLAN: Oh, okay.

22 MR. DOSHI: Your Honor, when I start to ask

1 about specific confidential content, I will make that
2 clear and perhaps we could move to in camera at that
3 time.

4 JUDGE DOLAN: Fine.

5 THE WITNESS: I'm sorry, is there a question?

6 BY MR. DOSHI:

7 Q I think my question is, do you agree with
8 the findings in the report?

9 A Okay. Let me rephrase I reviewed a draft
10 of an interim report from Liberty. So with regard to
11 that, you know, it is -- in light that it is an
12 interim report, there are some things that, you know,
13 we have not yet responded to. So, no, I would not
14 say we agree with certainly all the findings in the
15 report.

16 And, again, I don't have
17 responsibility for AMRP, so a lot of the detailed
18 comments in there I certainly cannot comment to.

19 Q Okay. Thank you.

20 Now, you mentioned just a minute ago
21 you said you reviewed a draft of the Interim Report.
22 Is that referring to the document that Staff Witness

1 Mr. Harry Stoller filed on January 15th, 2015 or are
2 you referring to an earlier draft of that?

3 A Yes. It -- yes. The report I had was
4 stamped "draft." This apparently is not stamped
5 "draft." It appears to be the same statement. It
6 appears to be the same document.

7 Q Okay. Thank you.

8 Would you agree that in Peoples Gas'
9 rate case filed in 2011 which was Docket
10 No. 11-0281/0282, the AMRP was the largest driver of
11 cost increase in that rate case?

12 A I don't recall.

13 Q Okay. Thank you.

14 Mr. Schott, I'm handing you a copy of
15 your testimony -- your direct testimony from
16 Docket 11-0282, Peoples Gas' 2011 rate case.

17 Would you agree that that is a true
18 and correct copy of your direct testimony from that
19 case?

20 MS. KLYASHEFF: Objection as to the relevance
21 of questions concerning that rate case or
22 Mr. Schott's testimony in that rate case in terms of

1 assessing the proposed reorganization.

2 MR. DOSHI: Your Honor, we'd like to establish
3 the significance of the AMRP for customer rates and
4 for the public interest which are a part of the
5 statutory standards under Section 7-204.

6 JUDGE DOLAN: And that past order has already
7 been approved and paid by customers, so how is that
8 going to effect current rates? I'm not quite sure
9 I -- I'm not quite sure how you go with this -- or
10 where you're going with this.

11 MR. DOSHI: We'd like to establish that there's
12 been a consistent trend over the past four years of
13 the AMRP contributing to increases in customer rates
14 to show the likely continued importance going
15 forward.

16 JUDGE DOLAN: Again, I don't -- I agree, I
17 don't think this is relevant testimony for this.

18 MR. DOSHI: Okay.

19 BY MR. DOSHI:

20 Q Mr. Schott, would you agree that in the
21 recently concluded Peoples Gas' rate case,
22 Docket 14-0224/0225, the AMRP was the largest driver

1 of cost increases?

2 MS. KLYASHEFF: Objection. The same relevance
3 grounds.

4 JUDGE DOLAN: I'm going to sustain the
5 objection.

6 BY MR. DOSHI:

7 Q Mr. Schott, would you agree that the AMRP
8 will likely have significant rate impacts over the
9 next five years let's say?

10 MS. KLYASHEFF: Objection as to relevance. The
11 matter at issue concerns Wisconsin Energy's
12 acquisition of Integrys and impacts associated with
13 that reorganization or acquisition. I do not believe
14 the cost of the AMRP is relevant.

15 MR. DOSHI: Your Honor, costs and customer
16 rates are part of the statutory standards for
17 approving a reorganization under Section 7-204(b) and
18 Wisconsin Energy's readiness, willingness and
19 ability, per the terms of your January 14th ruling,
20 to improve the AMRP consistent with audit
21 recommendations will have significant impacts on
22 customer rates, that's why we'd like to explore that

1 topic.

2 JUDGE DOLAN: Not out of this docket, though.

3 So I'm going to sustain the objection.

4 BY MR. DOSHI:

5 Q Do you believe that an effectively managed

6 AMRP should minimize the impact on customer rates?

7 MS. KLYASHEFF: Objection for the same

8 relevance grounds.

9 JUDGE DOLAN: This one is just a general

10 question, so I'll overrule the objection.

11 THE WITNESS: Yes.

12 BY MR. DOSHI:

13 Q Okay. Thank you.

14 Would you agree that annual rate

15 increases to customers -- Peoples Gas' customers in

16 the near term, which I'll define as, say, the next

17 five years, would be less if the AMRP Program were

18 extended past a 2030 completion time?

19 MS. KLYASHEFF: Objection as to relevance and

20 also as to the scope of Mr. Schott's testimony.

21 JUDGE DOLAN: Sustained.

22 MR. DOSHI: At this time, I'm going to

1 distribute a cross exhibit which my colleague will
2 distribute to Mr. Schott and opposing counsel and to
3 your Honor. The cross exhibit consists of two data
4 request responses that we believe were sponsored by
5 Mr. Schott. They're numbered AG 15.06 and AG 10.07.

6 (Whereupon, AG Cross
7 Exhibit No. 1.0 was
8 marked for identification.)

9 BY MR. DOSHI:

10 Q Did you sponsor these, Mr. Schott?

11 A Yes, I did.

12 Q 15.06 referred to a line or lines in your
13 surrebuttal, Exhibit 18.0. On Page 3, starting at
14 Line 46, you state -- at Line 47 you state, It was
15 and remains Peoples Gas' intention to complete the
16 program, meaning the AMRP, which began in 2011 in
17 20 years, i.e., by the end of 2030; but appropriate
18 cost recovery was and remains linked to that
19 intention.

20 Do you see that in your testimony,
21 Page 3 of Exhibit 18.0?

22 A The caveat -- I'm trying to find the caveat

1 appropriate rate recovery.

2 Q Yes. At Line 48 you mention appropriate
3 cost recovery.

4 A Okay. Got it.

5 Q Do you still agree with that?

6 A Yes.

7 Q And in the Data Request Response 15.06, in
8 Part A, we asked you, would you agree that
9 appropriate cost recovery, as you used the term in
10 that cited testimony, for the AMRP through 2030 is
11 currently not provided under any Illinois law and
12 your response was -- I'll try to paraphrase or
13 summarize it -- that Rider QUIP, which is authorized
14 by Section 9-220.3 of the Public Utilities Act is, as
15 you put it, a key component in providing appropriate
16 cost recovery through 2023. Appropriate cost
17 recovery can be facilitated by Rider QUIP but can
18 also come through rate case filings. So it's
19 possible that rate case filings after 2023, could
20 provide appropriate cost recovery.

21 Is that a fair summary of your answer
22 there?

1 A I was focused on not provided. It's not
2 provided under Illinois law and I would say that
3 it's -- that's why I disagreed with -- it's currently
4 not provided.

5 Q So is it fair to say that you believe after
6 2023 when, as currently scheduled under Section
7 9-220.3 of the Act, Rider QUIP is supposed to
8 disappear, appropriate cost recovery could still be
9 had through regular rate case; is that your position?

10 A I can't say that it won't be.

11 Q So you think it's possible?

12 A I guess.

13 Q Could you describe what --

14 A I can't rule it out. So possible -- when
15 you say possible, you know, it's not impossible, so I
16 guess -- and I don't know if we're getting into
17 semantics here but, I can't rule it out.

18 Q Okay. And what rate case treatment from
19 the Commission in the absence of Rider QUIP would
20 constitute appropriate cost recovery as you've
21 defined it in your testimony?

22 A We're sitting here in 2015 and I -- and

1 this is -- we're asking something that's going to
2 happen nine years from now. I just don't feel
3 comfortable answering that question.

4 Q Hypothetically, if for some reason the
5 legislation repealed the Rider QUIP statute tomorrow,
6 what would Peoples Gas need in rate cases to have
7 appropriate cost recovery?

8 MS. KLYASHEFF: Objection. Calls for
9 speculation.

10 JUDGE DOLAN: Sustained.

11 MR. DOSHI: Your Honor, we'd just like to
12 understand what Mr. Schott means by "appropriate cost
13 recovery."

14 JUDGE DOLAN: But, again, I think you're
15 talking speculation here, no matter how he answers
16 this. You're asking him a situation that -- I'm sure
17 if Rider QUIP got -- repealed by the legislature that
18 the whole Peoples Gas would have a lot to deal with
19 not, just Mr. Schott making a decision on his own.

20 BY MR. DOSHI:

21 Q Can you define the term "appropriate" in
22 the phrase "appropriate cost recovery" as you've used

1 it?

2 A It would be appropriate at the amount of
3 dollars to be spent, the current regulatory
4 environment, the current financial environment, the
5 current cost projections at the time. A lot of
6 factors would go into what is appropriate cost
7 recovery and so that's why I can't speculate as to
8 what appropriate cost recovery might be post QUIP.

9 Q So I believe the Joint Applicants in this
10 case are committing to -- proposing to commit to
11 complete the merger by 2030 if there is appropriate
12 cost recovery -- I'm sorry, to complete the AMRP by
13 2030 if there is appropriate cost recovery.

14 Is that a correct statement of the
15 proposed commitment?

16 A That's not in my testimony.

17 MS. KLYASHEFF: It is Mr. Leverett's testimony.

18 MR. DOSHI: All right. We'll direct that to
19 Mr. Leverett.

20 BY MR. DOSHI:

21 Q Would you agree that whether a 2030
22 completion date for the AMRP is ordered as a

1 condition of the merger or not would impact customer
2 rates going forward?

3 MS. KLYASHEFF: Objection. Basically, for the
4 relevance grounds we addressed earlier about rate
5 impact and dollars associated with the AMRP.

6 MR. DOSHI: I'll ask a foundational question.

7 BY MR. DOSHI:

8 Q Mr. Schott, you've testified in the excerpt
9 from your surrebuttal that I read earlier on Page 3
10 that it is Peoples Gas' intention to complete the
11 program by the end of 2030 if there is appropriate
12 cost recovery; correct?

13 A Correct.

14 Q Would you agree that how the proposed
15 acquisition might impact customer rates is at issue
16 in this case?

17 MS. KLYASHEFF: Objection. Calls for a legal
18 conclusion.

19 JUDGE DOLAN: Sustained.

20 BY MR. DOSHI:

21 Q Mr. Schott, would you agree that when
22 Peoples Gas increases the pace of AMRP spending, it

1 it has -- it causes annual rate impacts to increase
2 and, vice versa, if Peoples Gas were to decrease the
3 pace of AMRP spending, it would cause annual rate
4 impacts to decrease?

5 MS. KLYASHEFF: Objection. Not relevant to the
6 determinations the Commission needs to make under
7 Section 7-204 of the Act.

8 MR. DOSHI: Your Honor, under Section 7-204,
9 the one -- costs are very much at issue in the
10 Commission's decision on a proposed reorganization.

11 MS. KLYASHEFF: This witness' testimony does
12 not go to that question.

13 MR. DOSHI: Additionally, under Section
14 204(b)7, a requirement for approving the
15 reorganization is that the proposed reorganization
16 must not be likely to result in any adverse rate
17 impacts on retail customers.

18 MS. KLYASHEFF: The question was not about the
19 reorganization, it was about the schedule of work on
20 the AMRP. It was not about Wisconsin Energy's
21 acquisition of Integrys.

22 MR. DOSHI: Your Honor, Mr. Schott is proposing

1 a particular time line for the AMRP as part of this
2 reorganization. He has made it relevant.

3 MS. KLYASHEFF: Mr. Schott was responding to
4 Staff Witness Lounsberry's assertion that Peoples Gas
5 had committed to a 2030 completion date and he was
6 responding to his intention of what Peoples Gas had
7 or had not committed to in a prior rate case.

8 MR. DOSHI: Your Honor, whatever was the
9 genesis of Mr. Schott's statement on Page 3 of his
10 surrebuttal, it appears that the Joint Applicants are
11 proposing that as part of the reorganization, they
12 will commit to complete the merger by 2030 under
13 certain conditions and we'd like to explore whether
14 that commitment, as part of the merger, might or
15 might not have adverse rate impacts on retail
16 customers which is one of the statutory standards
17 under Section 7-204(b)7.

18 JUDGE DOLAN: I think though your question
19 calls for speculation because I don't think this
20 witness or anybody can tell you what the future is
21 going to cost or if it's going to be less or more.

22 MR. DOSHI: Your Honor, I believe Mr. Schott

1 is -- I just want to get this right -- Mr. Schott is
2 the chief financial officer of Integrys Energy Group,
3 so I'm not sure who would be better positioned to
4 tell us the effects on customer rates of Peoples Gas'
5 AMRP Program.

6 JUDGE DOLAN: I think any answer that he's
7 giving is going to be based on speculation because
8 nobody knows for sure.

9 MR. DOSHI: Your Honor, I'm not asking for
10 quantification but rather just the general direction
11 on customer rates caused by a speeding up -- a
12 hypothetical speeding up or a hypothetical slowing
13 down of AMRP activity.

14 JUDGE DOLAN: If you make it a hypothetical, I
15 think he could answer to the best of his ability, but
16 I still think it's going to be speculation at best.

17 MR. DOSHI: I guess I'll rephrase the question.

18 BY MR. DOSHI:

19 Q Would you agree that hypothetically, when
20 Peoples Gas speeds up AMRP spending, does that have
21 an upward effect on Peoples Gas customer rates?

22 A In the near -- if we spend less prudent

1 capital, the near term impact on rates would be a
2 reduction from what -- if we had spent that capitol.

3 Q Can you explain what you mean by "less
4 prudent capitol"?

5 A If I incur \$200 million or I prudently
6 incur \$100 million, if I prudently incur \$100
7 million, my near term rates would be less than if I
8 had incurred \$200 million.

9 Q In a given year?

10 A Yes.

11 Q Okay. Thank you.

12 Would you agree that the annual rate
13 of investment in the AMRP impacts Peoples Gas'
14 customer rates?

15 A Say the question again.

16 Q Would you agree that the annual rate of
17 investment in the AMRP impacts Peoples Gas' customer
18 rates?

19 A Yes.

20 Q Would you agree that there's a positive
21 correlation between those two variables?

22 A In the near term, yes but only in the near

1 term.

2 Q Okay. Thank you.

3 Mr. Schott, were you a witness in the
4 2009 Peoples Gas rate case which was 09-0166/0167?

5 A I think so.

6 Q Okay. Thank you.

7 And are you familiar with the
8 Company's proposal for Rider ICR?

9 MS. KLYASHEFF: Objection. Rider ICR is
10 certainly not at issue in this reorganization.

11 MR. DOSHI: Your Honor, we'd like to explore
12 the Commission's original reasoning for approving a
13 2030 completion date for the AMRP.

14 JUDGE DOLAN: No. Overruled -- I'm sorry, I
15 didn't mean overruled. I meant sustained for that
16 objection. I'm sorry.

17 MR. DOSHI: Your Honor, at this time, I'd like
18 to begin asking a few questions based on confidential
19 information if that would be okay.

20 JUDGE DOLAN: As long as it's within the scope
21 of my rulings.

22 MR. DOSHI: Okay.

1 JUDGE DOLAN: So any person that has not signed
2 a Confidentiality Agreement needs to leave the room,
3 please.

4 MS. KLYASHEFF: And will we also have will we
5 also have the transcript --

6 JUDGE DOLAN: Yes.

7 MS. KLYASHEFF: -- distinct?

8 Thank you.

9 (Whereupon, the following in camera
10 proceedings were had.)

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